Accounting Historians Journal

Volume 26
Issue 1 *June 1999*

Article 2

1999

Telling power of CCA -- A New Zealand oral history

Rachel F. Baskerville

Accounting Historians Journal
Vol. 26, No. 1
June 1999

1996 Vangermeersch Award Winner

Rachel F. Baskerville
VICTORIA UNIVERSITY OF WELLINGTON

THE TELLING POWER OF CCA — A NEW ZEALAND ORAL HISTORY

Abstract: This report presents results of research on the failure of the inflation accounting standard in New Zealand. Presentation of the results in three narratives highlights that any such research is a series of interlocking and overlapping events, and that narrative is a direct and efficient means of communicating both causal and transactional components which contributed towards the outcomes. Isolation of the three narratives was chosen to demonstrate that it is not useful to extol an explanatory or interpretative paradigm for accounting history if it is advocated at the expense of sequential accounts of events.

To undertake an oral history project in accounting is to be immersed in narratives of those to whom the microphone is directed. As researchers listen and then transcribe, they imbue resonances and drama, even trauma, from accounting events as experienced by their group of interviewees, to the point when

Acknowledgments: The initial encouragement and support for this project was from staff at the Victoria University School of Accounting and Commercial Law, especially Dr. Bhagwan Khanna and Professor Tony van Zijl. Professor Geoff Whittington's assistance was also valuable in further development of the research. Encouragement and advice from Haim Falk is also acknowledged. Thanks are also due to participants at the presentation of an early draft of this study to the European Accounting Association Conference in Venice in April 1994. Staff at the Institute of Chartered Accountants of New Zealand, in particular April Mackenzie, encouraged this research while I was employed in the Accounting and Professional Standards Department at the Institute. Support was provided by the Richard Vangermeersch Award, and the assistance of Barbara Merino, Donna Street, Richard Fleischman, and other members of the Academy of Accounting Historians is acknowledged. However, the chief debt, as with all oral history studies, is to the participants themselves, as they were prepared to offer personal and unique insights into events in their own lives and the impact of their efforts on the development of best accounting practices in New Zealand.

Submitted April 1997
Revised February 1998
Accepted June 1998

debate on narrative and counternarrative [Funnell, 1998] seems unrelated to the day-to-day problems of recording, transcription, analysis, and writing up. However, acting on the proposal by Funnell [1998, p. 144] that "to comprehend the constitutive effect of the narrative is to open the prospect for liberation from our sanctioned and settled past," the following report of this oral history research project was isolated into three narratives. The separation illuminates the constitutive power of narrative in accounting history and, from such illumination, an advocacy of the utility and role of narrative.

One aspect of narrative analyses in literary studies is the identification of hegemonic forces which influence, shape, and order the meanings of events and the manner of remembrance. There are exemplary studies in other disciplines, such as the analysis by Landau of "Human Evolution as Narrative" [1984] in which was presented an analysis of narrative used in accounts of human evolution, utilizing established methods of analysis of folk stories. Just as explanations of human evolution inevitably utilize narrative and can be analyzed using literary methods, so also research histories can be analyzed as struggles for success, with both malevolent and benevolent powers driving events outside the control of individuals.

In this case of the debate about current cost accounting (CCA) and the introduction of "inflation accounting standards," the hegemonic process is one whereby the interests of other groups (account preparers and users) are coordinated with those of the dominant group. However, hegemony, as a social process, is continually resisted, limited, altered, and challenged [Brow, 1990, p. 1]. The failure of the CCA standard is one example of such resistance; ultimately, it delineated limitations on the standard-setters' power. It is inevitable to the normative nature of standard setting that the process should produce standards which could fail. A failure in the standard-setting process can be clearly understood when a narrative structure identifies the significance of different events in the process of resistance and change. Added to this are the perceptions of those involved who, with the benefit of hindsight and contemplation, provide their own accounts of the failure which provides an understanding of events different from analyses of the causes of failure based on reasons in company reports.

THE FIRST NARRATIVE: THE RESEARCH PROJECT

The first narrative relates the story of the research, why and how it was developed and the methods used. This introduction ensures that other scholars may gain sufficient information not only to judge the results of the research but also to apply or extend these methods if they are deemed beneficial.

The failure of the CCA standard was chosen as an oral history subject because the 1982 promulgation of the CCA standard was rejected on a scale unprecedented within New Zealand's generally "obedient" accounting community.

The failure of current cost accounting standards has been subject to scrutiny elsewhere. For U.K. events see Tweedie and Whittington [1984] and Pong and Whittington [1996], while a summary of continuing developments in Australia in the use of current value accounting is provided by Jones and Love [1995].

Compliance with the standard in New Zealand was less than ten percent of listed company reports over the two to three years of financial reports studied [Peterson et al., 1984]. Unlike other countries, the resistance was not so much from practitioners as much as companies and their boards, largely attributed at the time to the lack of acceptability for tax purposes [Peterson et al., 1984]. Eventually, in October 1985, the standard was dropped. It went out with a whimper, not a bang; yet, these events still continue to impact the development of accounting in New Zealand.

The resonance of this event is such that it is ideally suited for oral history research. Just as the orally transmitted *whakapapa* of the Maori[1] in New Zealand are not so much genealogies as records of events and people whose resonance continued for much time, so this event, the demise of the CCA standard, has affected and continues to impact the development of accounting. Oral histories have the capacity to pick up such resonances, as in this case where the recall of events is filtered through the current consciousness of the participants ten years after the events.

Debate concerning the merits and problems with oral history methods are a well-trammelled ground for historians over the last two decades. Since a 1991 review of the potential for oral history in accounting [Collins and Bloom, 1991], there have been other advocates of the merits of this method in accounting research. For example, oral history is advocated because it is a dynamic process which creates evidence about the past and allows undocumented perspectives to emerge [Tyson,

[1] *Whakapapa* are Maori genealogies relating individuals to various tribes and/or ancestors.

1996, p. 2]. Because it provides insights into how people felt about what happened and focuses on individual experiences, reactions, and aspirations, this approach enables participants, rather than historians, to reconstruct past events [Allen and Montell, 1981, p. 20; Hammond and Sikka, 1996, p. 79; Thompson, 1988, p. 99] and addresses the problem of belief transference by the historian [Merino and Mayper, 1993, p. 244; Tyson, 1996, p. 2]. The multiplicity of experiences of individuals involved in an event such as the CCA debate challenges simple causal explanations for the failure of the standard. Hammond and Sikka [1996, p. 81] described the potential of oral history was to show that "history is a lived experience which is full of contradictions, contestation and unforseen consequences."

Nevertheless, the merits of the methodology are still debated, especially the subjective nature of the testimonies, because they are complex cultural products [Edwards, 1993, p. 28]. Specifically, the memory of past events may be subject to biased reinterpretation, selective retention, or innocent amnesia. In addition, the context in which the interview is undertaken is very important to the perspective supplied. "We who use life stories need to understand . . . they always have to be structured, according to known conventions, in order to convey the desire . . . of this teller to present a self to the listener, at this particular moment" [Tonkin, 1990, p. 34].

It is not the purpose of this report to review fully the merits and disadvantages of this method. Suffice it to note that the oral history approach requires a conscious trade-off between the potential and the problems in such a method, given the time available and the opportunities presented in the ongoing research process. In this case, the research began in August 1993. Assistance from the Oral History Section of the National Library of New Zealand included the Fyfe and Manson [1991] guide, *Oral History and How to Approach It,* the ethical code established by the National Oral History Association of New Zealand, the legal release form, and the interviewee information sheet which has to accompany any tape deposited in the archives. The use of a legal release form at the start of each interview was particularly important as it reminded interviewees that their agreements meant tapes and transcripts would move into the public domain. All interviewees signed this form unconditionally although the form does allow for conditions on release if required.

An initial approach was made to those who were considered to be most cognizant of these events. Of the ten men initially approached or corresponded with, two did not reply. A lengthy communication with one potential interviewee, who considered that the research should focus only on technical aspects of CCA, resulted in his declining the interview for the proposed subject matter of this project. After starting the interviews, four more interviewees were approached, resulting in eleven interviews between August 1993 and February 1994 (see Appendix A). The length of interviews varied, most being approximately one hour.

It can be observed from Appendix A that the standard setters and academics interviewed formed a homogeneous group of New Zealand *pakeha*[2] males. This project did not attempt to seek responses from rank-and-file practitioners or from corporate financial controllers. Although one of the strengths of oral history is its capacity to allow other voices (especially of minority groups) to be heard [Hammond and Sikka, 1996, p. 79], this would have resulted in a much extended field of inquiry.

The objective of this project, as described in the letters to interviewees requesting their participation, was to use oral history techniques in order to contribute to the historical record of the CCA debate in New Zealand; in particular, asking about recollections or reminiscences of the events surrounding the dropping of the CCA standard and how this debate revealed aspects of the relationship between practitioners and accounting standard-setting authorities between 1975 and 1985. The emphasis in the research shifted to the first objective as there was little interest by interviewees in the second objective. Comments in response to the questions concerning the second objective were perfunctory or disinterested.

The questions asked of each interviewee were:

1. What events before the standard was promulgated indicated that there might be considerable noncompliance?
2. What key events caused the withdrawal?
3. Do you think CCA as an accounting standard is likely to be resurrected during other periods of inflation?

[2] This term means a white/Caucasian New Zealander. The uniformity of the gender, race, and status of the subjects meant those interviewed all provided a sense that they were men living their lives "as their own." This emphasis is widely recognized by oral historians; for example, in Bertaux-Wiame's [1982, p. 193] study, she noted it was from their work that men derive their sense of identity, and present themselves "as the subjects of their own lives — as the actors . . . in contrast with men's accounts, women will not insist on what they have done; but rather on what relationships existed between themselves and persons close to them."

4. What was the impact on the status of the profession?
5. What does this event tell us about what users want from financial statements?

Interviews progressed in a relatively unstructured manner. Sometimes after termination the interviewees would move on to personal reminiscences or memories of different individuals involved and subsequent events in their lives. In other cases, the interviewees would answer largely on the basis of questions asked, choosing not to recall or comment on issues they did not consider within the scope of the questions.

Following the copying and transcription of all tapes, a copy of the interview was sent to each interviewee with a progress report in August 1994. Master copies were lodged with a copy of transcripts and a project report in the Oral History Archives in Wellington, New Zealand upon completion of the research.

The most effective method of analysis was utilization of a "cut-and-paste" method, facilitated by holding data in multiple files on a computer with duplication marked carefully. This cut-and-paste into 16 topics reduced the 53,000 plus words in the transcripts to about 23,000 words. The responses were then reanalyzed to identify commonalities, differences, or particular phrases which clearly illustrated responses to the topics.

The analysis of the transcripts was an emergent, evolving process because as segments were identified within the data, different connections between segments became apparent. The researcher had to reread transcripts, given the new information and new structures which were emerging within the data. Sorting and sifting led to seemingly interesting and meaningful discoveries. This process could continue *ad infinitum* in the absence of constraints in regards to money, time, or energy.

During the interviews, the interviewees raised related issues including the international context, price controls, the price freeze, inflation rates, the achievements and quality of the Richardson Report, the personality of the prime minister (Sir R. D. Muldoon), the "Waikato Project,"[3] and the New Zealand Society of Accountants Awards for Annual Reports.

It is apparent that some other questions could have been used as a starting point. For example, the question "Why was

[3] The Waikato Project on Inflation Accounting published purchasing power and price indices, as well as providing education series for practitioners and new graduates.

CCA developed in the first place?" might have given a different emphasis to their perceptions concerning why the standard was eventually withdrawn. However, the original objective of the research was to apply theories addressing the issue of the effect of withdrawal of a standard on the legitimation of the profession through its standard-setting process. The emphasis was not on the technical aspects of current value accounting.

During analysis it became apparent that the differences between the New Zealand and U.K. events were of significance. The thesis topic changed from an initial single objective to two foci — (1) an examination of the similarities and differences between the attributed causes of the failure of the CCA standard from research at the time, compared with the attributed causes from the oral history record; and (2) a comparison of the differences between U.K. and New Zealand events. The resulting thesis was completed by the end of 1994.

THE SECOND NARRATIVE: THE CONSTRUCTION AND WITHDRAWAL OF THE CCA STANDARD

A shared characteristic of the second and third narratives is the objective to "gather the data and present them in such a manner that 'the informants speak for themselves'" [Strauss and Corbin, 1990, p. 21]. The resulting presentation of chunks of transcript inserted into text allows to every degree possible the spontaneous and meaningful ways in which the interviewees' memories were expressed.

The second narrative commenced a considerable time before the research started in 1993. In 1967, the Consumer Price Index in New Zealand started to record annual changes over 4%, the start of a long period of steadily increasing inflation. It did not fall below this level again until 1991. The start of the CCA project was linked in interviewees' minds to this inflation of price indices. The rapid increase was considered to be the driver behind efforts which led to the promulgation of the standard, and a subsequent perceived decrease was considered (by some people) the cause of its failure. Eventually, the Consumer Price Index in New Zealand increased from 6-7% per annum in 1970 to 17% in 1980.

A number of countries published Current Purchasing Power (CPP) proposals throughout the 1970s. In Australia, the Current Value Accounting exposure draft was based on revaluation to replacement cost. When inflation rose sharply in the U.S. in the 1970s, the Securities and Exchange Commission and the Financial Accounting Standards Board in SFAS 33 required supplementary statements, comprising a "real terms" mixture of replacement cost and purchasing-power data. In January 1974, the U.K. Sandilands Committee was appointed, reporting back on inflation accounting in June 1975. In the U.K., the deliberations of the Morpeth Committee resulted in the development by the Accounting Standards Committee of ED 18, eventually promulgated as SSAP 7.

ED 10, *Accounting for the Changes in the Purchasing Power of Money,* was the first exposure draft published by the New Zealand Society of Accountants (NZSA) in March 1975. The draft was largely based on the U.K. SSAP 7 and similarly recommended the CPP approach. Inflation was over 10% per annum in New Zealand between 1975 and 1988, with the exception of the years in which the government initiated a price freeze (mid-1982-1984). In March 1976, an analysis of the responses to ED 10 was published in the New Zealand *Accountants Journal.* It was clear that the vast majority of respondents were opposed to CPP, with some respondents preferring to wait and see what was going to happen overseas. Others urged that more research should be undertaken in New Zealand or suggested there would be confusion over presenting two sets of financial statements to shareholders, as required by ED 10. Overall, the CPP method was seen as being seriously deficient although many agreed that it was a step in the right direction.

The National Party in New Zealand won the 1975 elections under the leadership of Rob Muldoon, who was duly declared prime minister. Muldoon was particularly remembered for being of strong character, and the significance of his opposition to attempts to establish the CCA standard for taxable income measurement after the standard as promulgated was frequently mentioned by interviewees because he was an accountant and had given support to efforts in the 1970s to develop a form of inflation accounting.

ED 14, *Accounting in Terms of Current Costs and Values,* published in March 1976, recommended that assets should be shown in the balance sheet at their "value to the business," and profit should be the result of matching costs with revenues, both expressed in current terms.

> The Americans . . . experimented by having some of the big companies disclose the current values of their assets and, in other words, I think they probably had a very sensible approach in that they tried to do it incre-

> mentally. Whereas we tried to do it, not only us, but the U.K. and to some extent Australia, tried to go in boots and all; whereas they just said 'No, let's experiment with the valuation, you disclose the current values of your assets,' and I think it just became more apparent that that was a stumbling block. It is a very basic one [Frank Devonport].[4]

In September 1976, the Richardson Committee, a committee appointed by the National Government, released the *Report of the Committee of Inquiry into Inflation Accounting*. Considering CPP, CCA, and Continuously Contemporaneous Accounting (CoCoA), the report recommended that some form of CCA be required. The inflation rate was then close to 17%. In December that year, the prime minister pledged support for the Waikato Inflation Accounting Research Project. The project was extended to train potential and new employees (accounting graduates) of 120 companies in different "inflation accounting" methods.

Throughout 1977 and 1978, the NZSA increased its involvement in "inflation accounting" education through publications in the *Accountants Journal* and by offering seminars on CCA in May 1977. However, it was not until December 1978 that GU 1, *Supplementary Financial Statements in Terms of Current Costs and Values,* was published by the NZSA. GU 1 followed the Richardson Report recommendations very closely.

Parallel to these events was the publication of "inflation accounting" standards elsewhere — SFAS 33, *Financial Reporting and Changing Prices,* was promulgated in the U.S. in 1979, and in 1980 SSAP 16, *Current Cost Accounting,* was promulgated in the U.K. In New Zealand there were signs of resistance to change and concern with the immediate effects of CCA on company profits and taxation revenue.

At the end of 1980, there was a plea by the chairman of the Accounting and Research Standards Board, Malcolm McCaw, to members of the NZSA to maintain the commitment to developing a CCA standard. He said, "despite uncertainty in the problems of transition it was essential for the Society to take a firm step in the interests of the public, investors and those who protected investors" [McCaw, 1980, p. 40]. Members were also reminded that many accountants now considered that historic

[4] Readers are referred to Appendix A for a description of the careers of the interviewees.

cost accounts were not sufficient to satisfy legal requirements for a "true and fair view."

In response to GU 1, ED 25, *Current Cost Accounting,* was prepared. Although it was very similar to the recommendation of the Richardson Report and to the U.K. SSAP 16, a major difference compared with SSAP 16 occurred in the calculation of the gearing adjustment which took into account revaluation surpluses on fixed assets.

Seven months later in March 1982, CCA 1, *Information Reflecting the Effects of Changing Prices,* was published by the NZSA. It was almost identical to ED 25 and followed the U.K. SSAP 16 in almost all respects excepting the composition of monetary working capital and the current cost reserve items to which the gearing adjustment was to be applied.

The awareness of the levels of noncompliance led to the offering of a one-day series of workshops and the distribution of a 20-minute video distributed through the NZSA. However, in the first major analysis of 147 companies with a financial year ending around March 1983 [Peterson et al., 1984], there was only an 8.2% compliance rate. A further study [Cameron and Heazlewood, 1985] noted an 8.6% compliance rate with CCA 1 in the reports of 185 companies for reporting periods ending between the end of March 1983 and February 1984. The price freeze through price controls was continued for only a few months after the Labour Party won the election in July 1983. Inflation rates during the freeze had been 6-7%. Inflation rose again to 13-15% for three years before the sharemarket "crash" in October 1987.

Two years later in October 1985, the NZSA decided that the "standard" status of CCA 1 should be dropped, and that it should be reduced in status to "recommended best practice." In the U.K., SSAP 16 was also made nonmandatory. ED 38, *Accounting for the Effects of Changing Prices,* was developed to replace ED 35 in the U.K., but eventually was not formally issued. SFAS 33 was being reassessed in the U.S.

> It's very difficult for a country, both for the profession internationally and for the Government, to go down one path where everyone else is standing still, or going off somewhere else. . . . It's not a field in which New Zealand can go it alone [Sir Ivor Richardson].

This narrative of the events indicates standard setting was seen as a process whereby those controlling the standard setting wished to achieve a public good by improving financial reporting, but lost their "battle" because of factors beyond their control, such as international events.

> I think we did a better job than any of the other countries. The English, Scots had got sorely embarrassed by their weak-kneed approach to the whole thing, they lost the vote and so on and they couldn't even control their own members. . . . The Australians never covered themselves with glory at any stage. They probably were rather pragmatic I suppose, they were aware that there was no great enthusiasm out there in the profession, certainly not amongst the companies, the companies are the last people that wanted to be saddled with current cost accounting. . . . The Australians really fooled around with it and didn't do a great deal [Rex Anderson].

New Zealand provided a scenario which was alternatively described as being "an experimental niche" or "we couldn't do it alone," typical of a cultural ambivalence common to many aspects of New Zealand cultural or intellectual developments. It became apparent in the process of the research that the drivers to the rise and withdrawal of the New Zealand standard were far more influenced by international events than indicated by company reports in that period.

These drivers were different from those identified for the U.K., where the rise in domestic inflation triggered what Mumford [1979, p. 98] described as a five-year cycle of events, ending with a reduction in domestic inflation and interest in reform dwindling. In the U.S., SFAS 33 had required supplementary disclosures to reflect CCA, but did not require a revised balance sheet. There were disagreements in the U.S. concerning the treatment of monetary items and continuing opposition from practitioners. Inflation had fallen to 3.2% in 1983 [Kirkman, 1985, p. 37], and the promised review after five years did not eventuate.

THE THIRD NARRATIVE: CAUSES OF THE FAILURE OF THE CCA STANDARD

The third narrative is focused on the construction of a description of similarities and differences between the attributed causes of the failure of the CCA standard in research in published articles at the time, compared with the attributed causes from the oral history record. This comparison of the two sources demonstrates that utilization of oral history methods provides a valuable and unique perspective which contrasts with that provided from analyses of written data and company reports.

The Account of Causes of Failure in Published Articles: There were two initial studies of annual reports to identify the attributed causes of noncompliance. Peterson et al. [1984] evaluated the response to CCA 1 after the publication of 147 major corporate annual reports for the next reporting period ending on or after March 31, 1983. This study followed the adoption of the standard by the NZSA in 1982. Of these 147 companies, only 8.2% published supplementary current-cost accounts. Cameron and Heazlewood [1985] also analyzed reports for all accounting periods commencing on or after April 1, 1982 (totaling 185 listed companies) and found an overall compliance rate of 8.6%. The major reasons given for the lack of adoption of CCA in these research investigations were:

1. The benefit of CCA was questioned. This reason was variously stated: "served little practical or useful purpose," "not warranted, confusing, misleading, not cost/beneficial, was inappropriate," "gave no meaningful information." This reason was cited by 49% of companies in the Cameron and Heazlewood [1985] study and 27% in Peterson et al. [1984].
2. There was subjectivity and complexity in CCA according to 31% of the companies studied by Cameron and Heazlewood and 24% in Peterson et al. CCA was seen as lacking understandability and not enhancing comparability. The use of price indices and multiple alternative approaches was seen as confusing.
3. CCA was not mandatory, was not recognized for tax or pricing purposes, and was not a Stock Exchange requirement. 21% of reports in both the Cameron and Heazlewood and the Peterson et al. studies suggested it was being ignored because it did not have legal, fiscal, or economic validity.
4. There was a failure by other public companies to follow the standard, a reason indicated in the Freightways Report [Peterson et al., 1984, p. 90].

In only one case in the Peterson et al. [1984] survey did a company mention that the system was not relevant because of the "declining" inflation rate, while 3 of the 72 companies in the Cameron and Heazlewood study [1985] noted this reason for noncompliance. The artificial decline in the inflation rate was caused by the wage and price freeze. Further details of the Cameron and Heazlewood results are provided in Appendix B.

Peterson et al. [1984, p. 91] found it "difficult to accept that the reasons mentioned are valid ones for failure to comply with the standard." In their view, the primary reason was that CCA results in a reduction in reported profits, thus negatively affecting share prices and terms of loan finance. This view was substantiated by comments from the oral history interviews which indicated that management did not want to be seen in a bad light. For example, Bob Pope observed, "There were others who did not like it because it did in fact portray a much poorer result in most cases."

The results of these two studies were supplemented by Wong's 1988 research into 15 New Zealand companies which utilized CCA to provide supplementary information to the financial accounts during the period from 1977-1981 (i.e., while CCA was voluntary). These entities showed higher effective tax rates, lower leverage, larger market capitalization, and more capital intensity. All these results are consistent with positivist theories which focus on incentives to change accounting policies.

Reviewing the causes of noncompliance, Cowan [1985, p. 52] divided the opinions of the accounting profession into two groups, those who thought CCA was now a lost cause and those who attributed its failure to lack of support from others inside and outside the profession. He attributed the noncompliance to the following factors:

1. The proposals were not successful because New Zealand had not considered an independent "locally developed" solution but had tried to improvise from methods of accounting for inflation advocated in other jurisdictions [Cowan, 1985, p. 53].
2. There were frustrated hopes as some preparers anticipated that they would initially provide supplementary information using CCA rather than replacing historic-cost-based financial reports. Subsequently, when CCA was proven to be a fully workable standard, it would then replace the modified historic-cost basis. The lack of compliance frustrated this objective [Cowan, 1985, p. 53].
3. The NZSA had failed to appreciate its role in mediating between theoretical or academic purists, and there were constraints experienced by practitioners in applying a

standard which may have been theoretically pure but was too subjective for practitioners.

4. There were seen to be defects in the CCA model. It was too subjective, limited in scope, too complex, and not integrated closely enough with previous techniques of asset measurement.

Cowan [1985, p. 52] argued that the profession had to continue its advocacy of some system of inflation accounting in order to mitigate the extreme misinformation flowing out of accounts based on historic cost, even if it meant adjusting the "product" to meet the needs of "consumers." "This is no time to give up on inflation accounting. The problem which it addresses is much too serious." By then, virtually everyone else had turned their backs on the proposals, and his pleas were largely ignored.

Reasons for Noncompliance from the Oral History: The perceived causes of noncompliance from oral history tapes are listed below, with the more frequently described factors listed first:

1. CCA was not going to be permitted to be used for the calculation of taxable income after companies had seen it as a mechanism to reduce taxable income. This cause was cited by Frank Devonport, John Hagen, Roger Hopkins, Bob Pope, Malcolm McCaw, Don Trow, and John Hagen. A related view was that the Government had not given a strong enough signal of support, such as endorsement by the Securities Commission (noted by Rex Anderson, Malcolm McCaw, and Bob Pope):

> Well, no government was prepared to say they had a tax rate of 90¢ in the dollar. If they accepted that current cost accounting was the proper basis for reporting financial accounts and for taxation levy, they couldn't drop their tax bills, so they would have had to, or adjust the tax base in some other way, they were just not prepared to do it. It was politically unacceptable. That was the crux of the matter [Bob Pope].
>
> If Muldoon had said you could have had it for tax, then probably it would have rolled in. . . . People would think they had got a big reduction in tax [Frank Devonport].

Although it was recognized:

> We felt obliged to make some modifications to CCA for financial reporting purposes for pragmatic tax reasons. For example, if we had applied CCA across the board for tax purposes there would have been an element of taxation of capital gains. We felt that really in the climate of the times that that would not be acceptable across the board to the public; and so we adopted a compromise of recognising for tax purposes the benefits of the use of borrowed funds, but only up to the point of the CCA deductions in other respects [Sir Ivor Richardson].

2. CCA was either too complicated or complex, or it was too radical and too fundamental a change, mentioned by John Hagen, Frank Devonport, Roger Hopkins, and Rex Anderson:

> It was more a growing belief by the business community or the financial community generally saying 'This was too complicated. We don't understand it.' There was a sort of gathering storm of protest saying: 'Too complicated' [John Hagen].

> This standard was the first one which drove to the heart of the measurement process, and I think again fundamentally that was something that the Society couldn't handle, it was new to them. Here we were putting up a Standard, which said you are going to have to measure things a different way. It is not a question of disclosure and reporting, not a question of how you analyse and classify and report to people, you are going to have to measure it differently and this cut right to the core of the accepted thinking [Roger Hopkins].

3. CCA was not adopted because it showed a lower profit (as noted by Malcolm McCaw) and reported less favorable results (according to John Hagen, Athol Mann, and Don Trow):

> The proposal not to use it for tax purposes was the thrust of the dagger into the body of CCA that took the life out of it. People had not realised, I don't think, that that was the moment that CCA died, especially accountants who were keen to box on; and I think, naively, accountants got a bit of surprise when they found company directors did just not want to produce CCA accounts, because it was contrary to what they had said they were going to do,

> and one hadn't appreciated that these directors, as they always are, always had been particularly in those days, always wanting to show themselves as good performers, never wanting to attract criticism, always taking steps to minimise criticism....There is no way that company directors in general were going to produce CCA information, particularly if say only a third of the companies were going to do it, because their result was invariably going to be a worse result; it would have been the very odd company that might have had a better result, and they didn't just want to put themselves into the category of those who very clearly had a inferior result [Don Trow].

4. One reason given was that inflation elsewhere was falling (John Hagen), falling in New Zealand (Malcolm McCaw), or ceased to have the impact it had had on "true and fair" (Bob Pope):

> Then inflation round the world started to reduce, and pressure for current cost data reduced. Unfortunately the battle was lost [John Hagen].

> Inflation disappeared or ceased to have the impact that it was previously having on true and fair reporting [Bob Pope].

5. Another reason was that the indices were too subjective (noted by Frank Devonport and Malcolm McCaw):

> We have still got exactly the same problem that was being faced then. This was the problem of measurement. You see, even today we are advocating valuers to value or revalue assets and the valuers are scrambling to try and produce a set of standards for valuation. You can go to two different valuers to get the valuation you want. They differ so much, and I think this is basically the same problem as you had with CCA [Frank Devonport].

6. John Hagen and Athol Mann considered that noncompliance will follow if the market does not like the standard:

> If I adopted CCA and you didn't, the numbers we reported were distorted in the minds of the public and to some extent by company directors; they said 'There are not sufficient companies using it, so therefore we are going to stop using it, because it shows us in a bad light even though we really do

understand it and agree it was the right thing to do' [John Hagen].

7. Roger Hopkins and Rex Anderson thought it had been too cumbersome and costly:

> It was going to take resources and would cost money to produce something that nobody really saw any great use of [Rex Anderson].

8. John Hagen described one of the causes as a case of the theory being "miles ahead" of the practice:

> It was a good example of a standard . . . the implementation of an accounting standard where the theory was miles ahead of the practice and the academic part of the profession was miles ahead of the companies, and there was no intention to take account of politics in accounting standards. . . . I think it is because the standard setters at that time did not comprehend sufficiently, in any way, that you cannot jam standards down peoples throats and hope they will accept them. And if they don't like them, then the business community will scuttle them.

9. Roger Hopkins noted that we had learned to live with (modified) historic cost and allow for it:

> They know how, for instance, allowances for depreciation on historical cost are not going to allow for the cost of replacement, but they know that and understand it and they make, just as the corporate director used to do, the necessary adjustments, if they want to transfer from that model into the real world of decision making.

10. A further factor was conservative boards of directors:

> I was sure in those days that a lot of Boards of Directors just didn't want to even think about it. They just didn't want to go through the hassle of understanding what it was all about . . . (there was) a desire to keep on the old ways, and, as I say, there were a lot of members of our profession who gave them some support too. . . . I think probably those of us who were keen on it were so enthused with it that we assumed that we had the right answer, and everybody was going to abide by this [Bruce Christmas].

11. Malcolm McCaw recalled that New Zealand was seen as an "experimental niche:"

> A lot of people overseas thought we were an interesting little experimental niche out there, and they were interested to see what happened. In the meantime they weren't going to do anything; and banks and those sort who would have been the ones to benefit from this sort of policy, because they had their own ways of working out, working out the accounts and making adjustments to those forecasts to decide on companies and their future prospects et cetera.

12. Tony van Zijl considered that it was realized that the usefulness of the incremental information was close to zero:

> Well, I think one of the things that happened was that people started doing empirical research on the incremental information content of that kind of information, and the consensus that emerged from that was that it probably was close to zero. Now that doesn't mean to say that the information wasn't of any value, but rather that there were probably alternative sources for that information, so that in terms, anyway, of usefulness to investors, the information rated very low.

13. According to Athol Mann, companies would not utilize CCA if their competitors were not:

> In the interests of their own company, people simply weren't prepared to make a conversion unless their competitors did, they couldn't afford, they felt, to leave themselves out on a limb in relation to accounts published under a CCA approach if their competitors in the same industry didn't do the same.

14. Rex Anderson recalled that at that time academics were more inclined to continue debating rather than resolve the issues:

> The last thing they want to happen in an academic argument, is for resolution to be reached. It's a plaything, they like to go on; and the fact that somebody knowledgeable by propounding his views can slow the whole process down, in fact ruin it, doesn't worry them, provided that they get their own way.

DIFFERENCES AND SIMILARITIES BETWEEN THE EXPLANATIONS FOR NONCOMPLIANCE

The data presented in the oral history narrative show a variety of viewpoints, some of which provide an understanding different from the existing consensus in the literature on the causes of the failure of the inflation accounting standard in New Zealand. Readers will develop their own comparisons from the information provided and existing knowledge of explanations for the failure of such standards. This account will therefore enable readers to develop further their own understanding of these events, given their individual preferences for any weighting they may wish to place on the different sources.

The two sources are of a very different nature, resulting in very different emphases. Most of the emphases from insights provided by the oral histories were on political or contracting costs, whereas the emphases from annual reports analyses were on comparability, costliness, and usefulness. Although there may be distortions from the effect of memory in oral history, other sources of data have different problems of selectivity and partiality. However imperfect sources may be, the comparison is illuminating.

The comparison between the analysis of the reasons for noncompliance from papers written in 1983-1985 and the oral histories shows the major similarity in these two sources is the "tax issue." Standard setters looked back with hindsight and determined that the lack of CCA 1 acceptance for taxation purposes was its "death sentence." Comments were often phrased in the death metaphor.

The major difference was a compelling insistence, especially in the comments of Frank Devonport, Roger Hopkins, Rex Anderson, and John Hagen, that CCA was a fundamental change in the approach to the measurement of income. If one is expecting people's behavior to change (which it should do in the light of a changed standard), then there are major political considerations inherent in the standard-setting process which have to be taken into account. This point was most emphasized by John Hagen. The analysis closer to the events, as cited, suggested that CCA was "just another standard" being implemented, although some standard setters, on reflection, clearly saw it as being essentially different to other new accounting standards because of the extent to which it represented a fundamental change in accounting principles. The CCA standard was part of the normative system of standard setting, as Kirk [1988,

p. 17] noted, "a normative system, however, has definite limits in its ability to point a policy-making body toward incontrovertible solutions to recognition and measurement problems. Good intentions and hard work cannot overcome those limits."

Other reasons derived from the published analyses of the reasons for noncompliance from papers written in 1983-1985 also appear in the standard-setters' perceptions. In addition, the oral history reflected memories of an increasing lack of commitment by practitioners, and that CCA would reflect negatively the performance of directors and managers. There were no significant differences in the views of those interviewees who had been in public practice compared with those who had led largely academic careers.

It was also noted by interviewees that directors of larger multinational companies in New Zealand were prepared to "give it a go" in the early stages of the development of CCA, which may be indicative that the thrust to international harmonization was contributing to early support for the standard from the corporate sector. Eventually the lack of compliance overseas, coupled with the anticipated fall in inflation driven by a drop in inflation in New Zealand's major trading partners, was driving noncompliance in 1982-1983.

This contrasting analysis has highlighted that the reasons provided by companies for not utilizing the CCA standard are not all reflected in the reasons as understood by the standard setters. It could be expected that companies would not attribute noncompliance to the desire not to show management performance in a "bad light," or that it was too radical or too fundamental a change. It is of note that very few company reports referred to the anticipated fall in inflation or the political (price freeze) environment.

This comparison has demonstrated the usefulness of oral history methods to identify contrasting dynamics behind standard setting where hegemonic forces may elude quantitative analysis. Oral histories may not result in major revisions, yet still "add value" to the extant records of an accounting phenomenon.

SEPARATION AND RECONSTITUTION

It is in our nature to reconstitute separate pieces of information into a coherent body of knowledge. The separation of this accounting history research into three narratives was not undertaken in order to prevent the coherency of such reconstitution, but to demonstrate the inevitability of the imposition of narrative in interpretative or explanatory paradigms.

Thus, the first narrative related the progress and completion of a successful research project. A feature of this research was the change in the eventual focus for the thesis. This revised focus was the outcome of the usually undocumented process of ensuring appropriate scope and coherency to the ultimate research report. It can be assumed that the questions asked of interviewees would have been different if the eventual focus of the research had been differently identified to interviewees at the start. However, if scholars had to remain on an unalterable trajectory, the potential for discovery from data could be compromised or endangered. The potential of methods such as oral history is to allow the data to reveal hypotheses previously unanticipated by the researcher, typical of grounded theory where the theory is inductively derived from the study of the phenomenon it represents [Strauss and Corbin, 1990].

Some refusal to participate as described was not unusual in such projects and reflects issues of control over the topic. It is difficult to determine to what extent there was bias in the selection of participants, but the resultant data indicated a breadth of views was obtained.

The second narrative related the rise and fall of the standard in a series of attempts by the standard setters which were ultimately unsuccessful. The interviews revealed an importance of the international context previously unrecognized in New Zealand studies of the failure of the CCA standard [Peterson et al., 1984; Cameron and Heazlewood, 1985; Cowan, 1985; Wong, 1988]. Economic pressures, in particular the inflation rate, were observed to have less impact on the failure of the CCA standard in New Zealand compared with other jurisdictions.

The third narrative combined archival data (written explanations for the failure) with the oral history data in order to make a comparison. As such, it transversed the two paradigms of accounting history as described by Tyson [1996, p. 2]. To study causes of lack of compliance is typical of accounting history studies with an objective of ensuring the utility of accounting history. The third narrative reflected that standard setters consider there are "lessons to be learned" from the failure of the standard. Historical studies should provide a record of past experiences which help in current standard-setting issues; yet, standard setters continue to attempt to disconnect the CCA episode from current standard setting. For example, recently in the U.K. the ASB announced in the progress paper on the exposure draft of the Statement of Principles for Financial Reporting that, "The Board emphatically states that it has never had any plans to impose a system of current cost accounting. . . " [Accounting Standards Board, 1996, p. 1] in response to many expressions of concern that the ASB was trying to reestablish CCA. Such strong denial of any likely role for CCA in future standard setting indicates negative resonance from past events is ongoing.

CONCLUSION

The isolation of the three components of this research into separate narratives implies each has now been completed, but in reality all three are ongoing. The data could sustain new research outputs as the debate about current value accounting is ongoing in New Zealand and elsewhere. The composition and understanding of these events might also undergo reexamination and recomposition in the minds of those involved in the events 20 years ago.

Narratives were chosen because they provide a flexible tool with which to communicate events; narrative is not characteristic of particular fields of research. It may be less explicit in the traditional scientific method of research description, but the most rigorous scientific procedures for establishing a method of scientific testing are sequential in structure and in the reporting thereof. It would have been possible to build up at least six or eight narratives, like the layers of an onion, in order to report fully this study of the failure of the CCA standard in New Zealand. The richness from this record is to be found not in any inner kernel of truth, but in the process of reaching the innermost layer as each narrative is read and contextualized, allowing its constitutive effect to be appreciated.

Results presented in this manner highlight that any such research is a series of interlocking and overlapping events. Narrative is not only a direct and efficient means of communicating both causal and transactional elements in events, but also clearly delineates delusions and failures. It is a limitation of narrative that the conceptual complexity of events is simplified into a singular process, but such limitations assist communication and comprehension.

The tool of narrative has sometimes been transformed into a metaphor for "whiggish" tendencies of history — tendencies to highlight successful endeavors which contributed to the ascendancy of the present while casting past failures into unrecorded shadows. Undoubtedly narrative has been constructed to this end, but such uses should not exclude recognition of its value, or indeed its inevitability, in explanatory or interpretative paradigms.

This study has provided an example validating Carnegie and Napier's [1996, p. 8] view that the strengths of accounting history are from its firm basis in the "archive," which includes the oral records here presented. Furthermore, it demonstrates that "accounting history is enhanced by locating our narratives within an understanding of the specific context in which the object of our research emerges and operates." Such enrichment, through an increasing contribution of oral history studies in different jurisdictions, will ensure a fertile database for future accounting history studies.

REFERENCES

Accounting Standards Board (1996), *Statement of Principles for Financial Reporting — The Way Ahead; Progress Paper on the Exposure Draft* (London: Accounting Standards Board).

Allen, B. and Montell, W. L. (1981), *From Memory to History: Using Oral Sources in Local Historical Research* (Nashville: American Association for State and Local History).

Bertaux-Wiame, I. (1982), "The Life History Approach to the Study of Internal Migration: How Women and Men Came to Paris Between the Wars," in Thompson. P. (ed.), *Our Common History: The Transformation of Europe* (London: Pluto Press): 186-200.

Brow, J. (1990), "Notes on Community, Hegemony, and the Uses of the Past," *Anthropology Quarterly*, Vol. 63, No. 1: 1-6

Cameron, A. F. and Heazlewood, T.T. (1985), *"Current Cost Accounting in NZ — An Analysis of the Response to CCA 1,"* Massey University Discussion Paper No. 33.

Carnegie, G. D. and Napier, C. J. (1996), "Critical and Interpretative Histories: Insights into Accounting's Present and Future Through its Past," *Accounting, Auditing and Accountability Journal,* Vol. 9, No. 3:7-39.

Collins, M. and Bloom, R. (1991), "The Role of Oral History in Accounting," *Accounting, Auditing and Accountability Journal,* Vol. 4, No. 4:23-31.

Cowan, T. J. (1985), "An Exciting Future for Inflation Accounting," *Accountants Journal* (New Zealand), Vol. 64, No. 9: 52-54.

Edwards, K. (1993), "Dilemmas of a Feminist Oral History Methodology," *Oral History in New Zealand*, Vol. 5: 28-35.

Funnell, W. (1998), "The Narrative and its Place in the New Accounting History: The Rise of Counternarrative," *Accounting, Auditing and Accountability Journal,* Vol. 11, No. 2: 142-162.

Fyfe, J. and Manson, H. (1991), *Oral History and How to Approach it* (Wellington: National Library).

Hammond, T. and Sikka, P. (1996), "Radicalizing Accounting History: The Potential of Oral History," *Accounting, Auditing and Accountability Journal,* Vol. 9, No. 3: 79-97.

Jones, S. and Love, K. (1995), "Recent Evidence on Australian Current Value Accounting Practices: Is the Phoenix Rising From the Ashes?" *Accounting and Business Research*, Vol. 25, No. 100: 266-284.

Kirk, D. J. (1988), "Looking Back on Fourteen Years at the FASB: The Education of a Standard Setter," *Accounting Horizons,* Vol. 2, No. 1: 8-17.

Kirkman, P. R. A. (1985), *Inflation Accounting in Major English-Speaking Countries* (London: ICAEW).

Landau, M. (1984), "Human Evolution as Narrative," *American Scientist*, Vol. 72: 262-268.

McCaw, M. (1980), "CCA as McCaw Sees it," *Accountants Journal* (New Zealand), Vol. 59, No. 11: 407-412.

Merino, B. D. and Mayper, A. G. (1993), "Accounting History and Empirical Research," *Accounting Historians Journal,* Vol. 20, No. 2: 237-267.

Mumford, M. (1979), "The End of a Familiar Inflation Accounting Cycle," *Journal of Accounting and Business Research,* Vol. 10: 98-104.

Peterson, R., Gan, H. E., and Lim, K. I. (1984), "CCA — The Day After," *Accountants Journal* (New Zealand), Vol. 63, No. 2: 88-97.

Pong, C. K. M. and Whittington, G. (1996), "The Withdrawal of Current Cost Accounting in the United Kingdom: A Study of the Accounting Standards Committee," *Abacus,* Vol. 32, No. 1: 30-53

Richardson, I. L. M. (1976), *Report of the Committee of Inquiry into Inflation Accounting* (Wellington: Government Printer).

Strauss, A. and Corbin, J. (1990), *Basics of Qualitative Research — Grounded Theory, Procedures and Techniques* (New York: Sage Publications).

Thompson, P. (1988), *The Voice of the Past: Oral History* (Oxford: Oxford University Press).

Tonkin, E. (1990), "History and the Myth of Realism," in Samuel, R. and Thompson, P. (eds.), *The Myths We Live By* (London and New York: Routledge): 25-35.

Tweedie, D. and Whittington, G. (1984), *The Debate on Inflation Accounting* (Cambridge: Cambridge University Press).

Tyson, T. (1996), "Rendering the Unfamiliar Intelligible: Discovering the Human Side of Accounting's Past Through Oral History Interviews." *Accounting Historians Journal*, Vol. 23, No. 2: 87-109.

Wong, J. (1988), "Economic Incentives for the Voluntary Disclosure of Current Cost Financial Statements," *Journal of Accounting and Economics*, Vol. 10, No. 2: 151-167.

APPENDIX A
Interviewees

	Appointments relevant to the research	More recent activities
Rex Anderson	NZSA, president, 1984-1985; ARSB, chairman, 1983, Financial Subcommittee, member, 1973-1988, (chairman, 1983)	practitioner; member of the Securities Commission, 1985-1994
Bruce Christmas	NZSA, president, 1980-1981; Council member, Professional Standards Committee, chairman	practitioner
Frank Devonport	ARSB, 1968-1979, Financial Subcommittee, 1979-1992	professor at Canterbury; continuing member of FRSB committees
John Hagen	ARSB, 1982-1989, Financial Subcommittee, chair, 1977-1982	chairman of the Government-appointed ASRB, 1994; practitioner in Deloittes
Roger Hopkins	ARSB, 1982-1983	professor, Waikato, 1981-1984; Victoria University, 1990-present
Malcolm McCaw	NZSA, president, Council, 1976-1985; ARSB, chairman; expert advisor to the Richardson Committee	consultant for Deloittes
Athol Mann	NZSA, president, 1976-1977; Council, 1968-1978; Securities Commission, 1979-1986	dean of Faculty of Commerce, Victoria University, 1987-1996
Bob Pope	ARSB, 1972-1979, chairman, 1975-1979; NZSA, Council, 1975-1981, president, 1980-1981	consultant to KPMG Peat Marwick
Ivor Richardson	Royal Commission on Inflation Accounting, chairman, 1976; formerly partner in a Wellington law firm	chief judge, Court of Appeal, New Zealand
Don Trow	ARSB, 1968-1989; NZSA, Council, 1976-1989	professor, Victoria University, 1972 – present
Tony van Zijl	NZSA, technical director, 1985	current member of FRSB and ARSB; professor, Victoria University, 1989- present

APPENDIX B

Reasons for Noncompliance from Analyses of Company Reports

The following summary is from the study by Cameron and Heazlewood [1985]. Their study of 185 company reports with reporting dates between 3/31/83 - 2/29/84 overlapped reports studied by Peterson et al. [1984]. In the Cameron and Heazlewood study:

	No. of reports	%
CCA mentioned but no reason given for noninclusion	4	2.2
CCA mentioned and reasons given for noninclusion	72	38.9
CCA not mentioned	93	50.3
Companies presenting CCA statements	16	8.6
Total	**185**	**100**

Of the 72 reports which disclosed reasons for noncompliance, 108 reasons were given:

CCA serves little or no purpose.	16
CCA is not recognized for tax purposes.	13
CCA is confusing or misleading to members.	12
Application of CCA to the company's results would not be appropriate.	11
CCA methods are too subjective.	8
There is as yet no agreed uniform method of accounting for changes in price levels.	7
CCA statements were prepared but not presented.	7
CCA will not be implemented until it is more widely understood and accepted.	7
Time spent on CCA is not cost-beneficial.	7
CCA is not warranted.	5
Primary accounts already reflect CCA principles in some form or another.	4
CCA is no longer valid now that the rate of inflation has dropped.	3
CCA is not recognized for pricing purposes.	3
CCA results do not allow comparability.	2
CCA is not a legal requirement.	2
CCA does not give a true and fair view.	1